

Message Text

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ACTION EA-14

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TO SECSTATE WASHDC 7832

INFO AMEMBASSY BANGKOK

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C O N F I D E N T I A L PHNOM PENH 12858

E.O.11652: GDS

TAGS: PINT PINS EGEN CB

SUBJECT: POLITICAL IMPACT OF THE SEPTEMBER 15 ECONOMIC PACKAGE

1. SUMMARY: THE SEPTEMBER 15 GKR ECONOMIC REFORMS HAVE CAUSED CONFUSION ACCOMPANIES BY A "GUT" REACTION OF REJECTION. ARMY ELEMENTS DID LOOT IN AT LEAST ONE AREA BUT THE GKR HAS MOVED TO HEAD OFF FURTHER UNHAPPINESS BY RAISING ALLOWANCES FOR CERTAIN TROOPS AND PAYING RETROACTIVE MONEY DUE. RADICAL TEACHERS ARE ACTIVELY EXPLOITING THE CONFUSED REACTION TO THE NEW PROGRAM AND ISSUED A STRONG DENUNCIATION OF THE NEW MEASURES. SOME CIVILIANS HAVE DESPAIRINGLY DISMISSED THE REFORMS AS USELESS. COOLER HEADS REALIZE THAT INITIAL HARDSHIPS ARE INEVITABLE BUT HOPE FOR LONG-RANGE IMPROVEMENT. VERNACULAR DAILIES HAVE ADMITTED THE NECESSITY OF THE MEASURES BUT TIE THEIR SUCCESS TO A CONCOMITANT CORRUPTION CLEAN-UP. WITHAL THE REACTION IS ANOTHER EVIDENCE THAT THE GKR IS NOT STRONG ENOUGH TO DECREE; IT MUST NEGOTIATE
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INTERNALLY EVEN SO VITAL A MATTER AS ITS ECONOMIC SUR-

VIVAL. END SUMMARY.

2. SOME MILITARY ELEMENTS HAVE REACTED SHARPLY IN THE WAKE OF THE ANNOUNCEMENT OF A NEW ECONOMIC PACKAGE. FANK TERRITORIAL TROOPS RECEIVED SMALLER SALARY INCREASES THAN CIVILIANS OR FANK MOBILE INTERVENTION FORCES UNDER THE SEPTEMBER 15 ECONOMIC REFORM PACKAGE AND LOST NO TIME VOICING THEIR UNHAPPINESS. EVEN THE INTERVENTION FORCES REACTED STRONGLY, MAINLY BECAUSE PRICES JUMPED ACROSS THE BOARD IMMEDIATELY BUT TROOPS WERE NOT SCHEDULED TO RECEIVE THEIR RAISES, WHICH ARE RETRO-ACTIVE TO SEPTEMBER 1, UNTIL THEIR OCTOBER 1 PAYDAY. PROVINCE OFFICIALS AT KOMPONG SPEU AND KOMPONG CHAM FEARED THAT TROOPS WOULD MARCH ON THE MARKETS. ALTHOUGH MOST REACTION IS VOCAL, MINOR INCIDENTS INITIALLY TOOK PLACE IN PHNOM PENH AND SIEM REAP. IN KOMPONG SOM SEPTEMBER 20 TROOPS AND CIVILIAN-CLAD LOOTERS TOOK SOME SEVEN TONS OF RICE FROM A LIGHTLY-GUARDED WAREHOUSE. UNCONFIRMED REPORTS CITE UNDISCIPLINED BEHAVIOR BY TROOPS ALONG ROUTE 4.

3. THE GKR ANTICIPATED THE TERRITORIAL TROOPS' GRIEVANCES AND RESPONDED BY AGREEING TO RAISE THEIR ALLOWANCES. FANK IS NOW MOVING TO PAY ALL TROOPS THEIR FULL RETRO-ACTIVE SALARY NO LATER THAN OCTOBER 1. THESE TWIN STEPS SHOULD DEFUSE MILITARY UNHAPPINESS, BUT THE POTENTIAL FOR UGLY INCIDENTS WILL EXIST OVER THE NEXT SEVERAL DAYS UNTIL PAYDAY. CIVILIANS WILL BENEFIT FROM SHORT-TERM GOVERNMENT LOANS TO COVER RICE PURCHASES UNTIL THE OCTOBER 1 PAYDAY.

4. ALTHOUGH ALL ELEMENTS OF THE KHMER POLITICAL SPECTRUM ADMIT TO THE NEED FOR ECONOMIC REFORM, THE COMPLEXITY OF THE NEW PACKAGE HAS BAFFLED MOST. IN A SEPTEMBER 24 SPEECH BEFORE THE NEWLY REOPENED PARLIAMENT, PRESIDENT LON NOL HIMSELF ADMITTED THAT INITIAL HARDSHIPS CAN BE EXPECTED. RADICAL TEACHERS HAVE MOVED TO EXPLOIT THE CONFUSION AND THE KHMER TEACHERS' ASSOCIATION (AMCEK) DENOUNCED THE NEW MEASURES AS A CRIMINAL NON-SOLUTION TO THE PEOPLE'S

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ECONOMIC SUFFERING DESIGNED SOLELY FOR THE BENEFIT OF THE CORRUPT. THE DECLARATION ALSO VOTED NO CONFIDENCE IN LONG BORET'S SECOND GOVERNMENT, ASKED FOR A REAL SOLUTION TO ECONOMIC PROBLEMS AND DEMANDED THAT LEADING CORRUPT FIGURES TO SHOT. EMBASSY TEACHER CONTACTS HAVE BEEN LESS VIGOROUS, WITH SOME ADOPTING A "WAIT AND SEE" ATTITUDE AND OTHERS MERELY DISMISSING THE PACKAGE AS "USELESS."

5. VERNACULAR DAILIES HAVE ACCEPTED THE ECONOMIC PROGRAM WITH RESERVATIONS. POPULAR KOH SANTIHPHEAP (ISLAND OF PEACE) GUESSES THAT THE PEOPLE WILL SUPPORT THE MEASURES IF THEY ARE ACCOMPANIED BY AN ANTI-CORRUPTION CAMPAIGN AGAINST CROOKED GOVERNMENT OFFICIALS AND BUSINESSMEN. AREYTHOR (CIVILIZATION) DEMANDS THAT THE GOVERNMENT ACT STRONGLY TO CONTROL PRICES AND OBSERVES THAT THE SOLE EFFICACIOUS REMEDY IS TO SHOOT TEN OF THE CORRUPT AND ANOTHER TEN OR TWENTY ECONOMIC SABOTEURS.

6. THE KC CLANDESTINE RADIO HAMMERED ON THE MOST VISIBLE FEATURES OF THE REFORM PACKAGE: DEVALUATION OF THE RIEL AND INCREASE IN RICE AND POL PRICES. THE BROADCAST ACCUSED THE U.S. OF ORDERING THE MEASURE TO SERVE IMPERIALISTIC WAR AIMS AND CASTIGATED THE GKR FOR OPENING THE COUNTRY TO FOREIGN CAPITALISTS SEEKING HUGE PROFITS WITHOUT BEING SUBJECT TO TAXES OR TARIFFS. THE GKR, ACCORDING TO CLANDESTINE RADIO, WAS OBLIGED TO DEVALUE AND INCREASE PRICES OR THE U.S. WOULD CUT AID. THE MEASURES WILL CREATE EVEN MORE DIFFICULTIES FOR THE GKR, KC RADIO CONCLUDED, BUT GRUDGINGLY ADMITTED THAT "THE CLIQUE CAN SURVIVE A LITTLE LONGER."

7. COMMENT: UNHAPPY MILITARY PRESENT THE GREATEST IMMEDIATE DANGER UNTIL FANK SPREADS THE WORD THAT THEIR GRIEVANCES ARE BEING RESOLVED. MOST CIVILIANS WHILE NOT OPTIMISTIC, ARE WILLING TO GIVE THE MEASURES A CHANCE. RADICAL TEACHERS AND STUDENTS HOWEVER WILL CONTINUE TO USE THE ECONOMIC ISSUE TO EXPLOIT THE MASS OF TEACHERS.
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